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SUBJECT: PROGRESSIVE COALITION: CLEAR AS MUD?

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b,d).

¶1. (C) SUMMARY: On June 11, the Ambassador met with Park Sang-cheon and Kim Han-gill, the co-chairs of the newly formed Moderate Unified Democrats (MUD) and discussed FTA, North Korea, Kaesong Industrial Complex (KIC), SOFA and the future of the MUD party. The MUD co-chairs said their goal was to develop a coalition, anti-GNP party in the short term to field a competitive moderate, reform candidate in the December presidential elections. In the long term, they said they hoped their grouping could become similar to the U.S. Democratic Party and they could help Korea develop a strong, U.S.-style two-party political system. Park and Kim's newly formed party consists of 34 lawmakers formerly with the Uri Party and the Jeolla-based Democratic Party; their party is now the third largest in the National Assembly after the GNP (127) and the Uri Party (91). Co-chair Park said the new party would not support the KORUS FTA until there were adequate allocations made to protect farmers and fishermen. On the DPRK, Park and Kim agreed South Korea should be very cautious about holding a North-South summit this year and noted that it could have a negative impact on the progressives. They both emphasized that the U.S.-ROK alliance was important for peace and stability on the Peninsula and in the region. END SUMMARY

NEW COALITION MUD PARTY

¶2. (C) Moderate Unified Democrats (MUD) Co-chair Park Sang-cheon told the Ambassador on June 11 that the merger between his Democratic Party and Kim Han-gill's group of former Uri lawmakers was not official yet, but it would be legally established shortly as an anti-GNP party without common, specific policy views by the participating lawmakers. Since economic development can adversely affect the working classes, the MUD party, just like the Labour Party in England and the Social Democrats in Germany, will lay out a third way of centrist reformism. Park noted that the party's reform agenda would embrace competitiveness and globalization, which is needed for Korea to continue to develop economically, but would also call for easing the disparity between the rich and poor. While the party had to attempt to explain its new policy direction, the most important task was to form a broad anti-GNP (opposition Grand National Party) coalition.

¶3. (C) Co-chair Kim Han-gill said MUD hoped to become Korea's equivalent of the U.S. Democratic Party. He said that if Korea developed a stronger, two-party system it would

enhance Korea's political stability. (NOTE: currently there are five main parties with an additional 50 independent lawmakers. END NOTE) Park emphasized that the MUD Party welcomed any lawmakers from the Uri Party who agreed with MUD's principles. (NOTE: Park has told reporters that he does not want to form a coalition with politicians who were former leaders of the Uri Party, such as former Unification Minister and declared presidential candidate Chung Dong-young. END NOTE) Kim said the goal of the party was to become the second largest bloc in the National Assembly after the GNP. Whether the MUD Party succeeded in forming a broad coalition or not, the progressives would support a single presidential candidate - to be determined later.

FTA

14. (C) The Ambassador asked the co-chairs if the new party supported the KORUS FTA. Park said he supported the FTA in principle but that until the ROKG came up with sufficient measures to protect those potentially harmed by the agreement, MUD would oppose its ratification. He added that fishermen and farmers in particular had to be helped to adjust to economic conditions the FTA would bring about. Kim noted that in addition to compensation issues, the renegotiation/clarification demands the U.S. had made could cause many FTA supporters to sour on the deal. The Ambassador assured the two that the U.S. was not demanding a renegotiation of the FTA but rather some minor clarifications on labor and the environment that would not affect the balance of the agreement. Additionally, the clarifications to the labor chapter were based on a 1998 ILO Declaration that Korea had signed, and the clarifications to the environmental chapter were based on seven separate environmental accords that Korea was party to.

U.S. OPPOSITION TO FTA

15. (C) Kim said he was puzzled by Senator Hilary Clinton's public opposition to the KORUS FTA due to the damage she said it would cause the U.S. auto industry, and also concerned about other U.S. lawmakers who had recently said ratification of the agreement would be impossible. The Ambassador agreed that these comments were not helpful, and added that we were satisfied by the automobile chapter's provisions to open the Korean market. He also noted that while ratification would not be easy in the U.S., after the labor and environmental clarifications were made, 60-70 pro-FTA votes could be gained in the U.S. Congress.

16. (C) Rep. Kim said that while President Roh had to come up with measures to protect those affected by the FTA, the USG also had to play a role to assure protection of these groups. The Ambassador said that adjustments were already in the agreement to protect certain groups. For example, he noted Jeju's market would only be open to U.S. citrus fruits during the non-growing season in Korea and rice was excluded entirely from the agreement. He hoped MUD could support the FTA and work with the ROKG to support the "lesser winners."

NORTH KOREA

17. (C) Park said that if denuclearization were not achieved, any North-South summit would be seen as meaningless. Kim agreed and added he did not think a North-South summit, if it were to occur this year, would influence the presidential election. He noted that in April 2000, just one day before national elections, then Blue House Chief of Staff Park Ji-won announced a summit would take place, but it had no effect on the elections. This year as well, he said, any North-South summit would be greeted with skepticism since all Koreans knew it would be for domestic political reasons and not for peace on the Peninsula. Kim said he had warned the

Roh administration several times not to have a summit before the election, since in such a case the North would likely exploit the South. The Ambassador agreed a summit without North Korea fulfilling the pledges it made in the February 13 agreement would not be productive. The USG was pleased that President Roh was working hard to keep inter-Korean relations coordinated with the Six-Party negotiation process. As long as the U.S. and the ROK maintained the same close coordination, the common goal of denuclearization could be achieved. It was important that the DPRK not get rewards from South Korea or elsewhere without taking steps to denuclearize, the Ambassador concluded.

THE NON-PROLIFERATION MYTH

¶18. (C) Park said that some Koreans thought the U.S. would accept a nuclear North Korea as long as it could guarantee the North would not proliferate. The Ambassador stated firmly that the U.S. would not settle for a nuclear North Korea. If North Korea wanted to conclude a peace regime or establish normal diplomatic relations with the U.S., it had to abandon its nuclear programs.

BDA

¶19. (C) Kim suggested U.S. claims that the BDA issue was simply a technical hurdle to overcome were not convincing. If the U.S. were more flexible and looked at the issues beyond banking, it could help peace flourish on the Peninsula. The Ambassador said the U.S. had been very flexible on resolving BDA, but the problem was international banks did not want to handle North Korea's funds.

ENGAGEMENT

¶10. (C) The Ambassador asked the two how the coalition MUD Party would approach engagement toward the North. The two said that their party platform supported engagement and peace on the Peninsula, but that peace and engagement should be based on strong security. Also, they said there were different ideas on how to apply the principle of reciprocity to the engagement policy and that they had not yet come to a decision.

¶11. (C) The Ambassador said he was impressed by the scale of the Kaesong Industrial Complex (KIC), but said that KIC could only fulfill its potential as a huge manufacturing zone that employed hundreds of thousands of workers only if the DPRK denuclearized. He emphasized that the USG was not blocking investors, but that investors would shy away from the KIC as long as North Korea possessed nuclear weapons. Kim noted that if KIC was included in the KORUS FTA as an Outward Processing Zone (OPZ), it would contribute toward peace on the Peninsula. The Ambassador noted that the KORUS FTA contained a framework that could allow the inclusion of KIC into the FTA in the future, but noted that there were serious concerns about labor rights of the KIC workers. Kim noted there was a difference between the two countries: the U.S. felt that if the DPRK improved its behavior, KIC could grow, while the ROK felt that if KIC grew, it would encourage internal change in the DPRK.

¶12. (C) The Ambassador noted the U.S. had had bad experience with the DPRK and was reluctant to give the North the benefit of the doubt. Kim said he and Park were ministers during DJ's administration and he was also disappointed with North Korea after the October 2006 nuclear test. However, if the U.S. and ROK worked together, he stated, progress could be made.

ALLIANCE ISSUES

¶13. (C) Park and Kim both said they supported the U.S.-ROK alliance firmly and said the alliance not only helped block Northern aggression, but also contributed to stability and balance in Northeast Asia. The Ambassador said the ROK-U.S. security relationship was in good shape and had made lots of progress recently with the February 23 agreement to transition wartime operational control (OPCON) to the ROK in ¶2012. He asked Park and Kim to remember, when debate surfaced in the National Assembly about environmental issues surrounding the transfer of bases back to ROK control, that the U.S. had stationed soldiers in the ROK to defend the ROK. The transfer of bases was being executed in line with the SOFA agreement and the U.S. had done more than stipulated in the agreement to deal with environmental concerns.

¶14. (C) Kim said he thought there were some discrepancies between the U.S.-ROK SOFA and the SOFAs between the U.S. and Japan and Germany. He said the U.S. was the ROK's most important ally, but when Koreans saw discrepancies in SOFA agreements, they wondered how important the relationship was to the U.S. The Ambassador said the U.S.-ROK alliance was just as important as the U.S.-Japan alliance and that both relationships were essential for regional security. All SOFAs were negotiated between the respective countries and not imposed by the U.S., the Ambassador said.

¶15. (C) Park said he was Justice Minister when the SOFA was last negotiated and hoped that eventually the ROK could have the same SOFA as Japan. The Ambassador noted that at the next SOFA negotiation, the ROK could make that request, but noted that in the U.S.-Japan SOFA, Japan took a much larger financial responsibility for the burdensharing. He also noted that the U.S. will not charge the ROKG for any buildings or infrastructure that it leaves on the bases, while in Germany, the government had to pay for buildings and other improvements on the bases.

COMMENT

¶16. (C) According to National Assembly sources, the MUD coalition party will likely not succeed in officially forming. The MUD Party announced they would delay the official merger until sometime the week of June 18. Currently the Kim Han-gill faction is insisting on an even partnership between its group of 23 lawmakers and the Democratic Party. The Democratic Party wants a larger share in the coalition since they have a regional base in the southeast. Whatever the outcome, this is only one step of many needed to create a broad progressive coalition, and more importantly, to arrive at a single progressive candidate. Even if the coalition forms a new party, the progressive camp's future remains as clear as mud.
VERSHBOW